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UNCLAS HARARE 001361

SIPDIS

STATE FOR AF/S
USDOC FOR AMANDA HILLIGAS
TREASURY FOR OREN WYCHE-SHAW
PASS USTR FLORIZELLE LISER
STATE PASS USAID FOR MARJORIE COPSON

[1](#)E. O. 12958: N/A

TAGS: [ECON](#) [ETRD](#) [EINV](#) [PGOV](#) [ZI](#)

SUBJECT: Zimbabweans evade official exchange rate

[1](#)1. Summary: The Reserve Bank (RBZ) is playing cat-and-mouse with parallel traders. Since prohibiting payouts for remittances in foreign exchange, business is migrating to Zambia. End summary.

75 Percent Drop in Western Union Transfers

[1](#)2. The RBZ decreed July 28 that transfer agencies such as Western Union could no longer make payments in foreign exchange and must convert incoming funds at the official (auction) rate. Since then, weekly remittances handled by Western Union of Zimbabwe have fallen precipitously from US\$2 million to 500,000. Western Union's local director told us his branches are still receiving smaller amounts from abroad. However, customers are now routing larger quantities (over US\$1,000) through branches in Zambia. Zimbabweans apparently travel across the border to receive the funds and exchange them at parallel rates.

Comment

[1](#)3. The RBZ remains more committed than ever to overvaluing the zimdollar and dampening the parallel market. As the speedy 75 percent drop in Western Union business demonstrates, however, Zimbabweans are equally committed to getting fair value for forex. In the end, the GOZ may realize it underestimated the resourcefulness of its population.

Sullivan